2013 2014
ANNUAL REPORT

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Nova Scotia Business Inc.

TABLE OF CONTENTS

MESSAGE FROM THE BOARD CHAIR AND THE INTERIM CEO P. 3

NSBI BOARD OF DIRECTORS P. 5

COMMITTEES AND OFFICERS P. 7

2013-2014 ACTIVITY P. 8

MANAGEMENT DISCUSSION AND ANALYSIS P. 10

FINANCIAL REPORTING P. 16

A MESSAGE FROM

THE BOARD CHAIR AND THE INTERIM CEO

At NSBI, we understand that the key to growing a strong economy is through business development in trade and investment. NSBI works to attract new companies to the province and works directly with local companies to help them meet their growth potential.

When international companies come to Nova Scotia they bring new money to our economy. They bring new skills, new jobs, and new opportunities for Nova Scotia businesses. Nova Scotia companies have the opportunity to develop strategic partnerships with international companies for integration into their supply chains or to jointly identify new business development opportunities. Nova Scotia universities and Nova Scotia community colleges have the opportunity to develop strategic partnerships for research and development, for innovation, and for the identification of job opportunities for new graduates.

Every day, NSBI works to help Nova Scotia companies recognize their ability to compete outside our borders. We help local companies identify and make connections with new international markets. Trade programs provide information on export activities, provide assistance to get into new markets, and provide connections with buyers, distributors, and partners all around the world.

2013- 2014 was a successful year for NSBI, but this success is not ours alone. We know that our success is a reflection of our clients, success, and our ability to assist clients is a direct result of good team work. While NSBI has its own internal teams that work together to support clients, we also rely on partners from outside NSBI. By working with all levels of government, associations, academia, and the private sector, we empower businesses to be more globally competitive, we strengthen our workforce, we foster our entrepreneurial spirit, and together we grow our economy.

Janice Stairs
Board Chair
Nova Scotia Business Inc.

Ron Smith
Interim CEO
Nova Scotia Business Inc.

BOARD OF DIRECTORS OVERVIEW

Due diligence and adherence to rigorous corporate governance guides the action of NSBI's private-sector board. Comprised of respected leaders from communities across Nova Scotia, the NSBI Board of Directors provides guidance and governance for NSBI's business activities.

Including committee meetings, members of the board met in 2013-2014 to:

- Oversee the corporate governance framework
- Review and approve quarterly and annual financial reports
- Oversee the strategic business planning process
- Identify and monitor risks facing the corporation
- Monitor the integrity of the corporation's internal control systems
- Approve financial transactions within board limits

NSBI BOARD OF DIRECTORS

Janice Stairs Chair
(appointed director September 2009)

- General Counsel, Namibia Rare Earths Inc.
- McInnes Cooper, Halifax Counsel
- NovaCopper Inc. (TSX:NYSE-AMEX), Board of Directors
- Halifax Grammar School, Board of Governors and Executive Committee, Past Member
- Nova Scotia District Council of Investment, Past Member

Ray Ivany Vice-Chair
(appointed director December 2010)

- President & Vice-Chancellor, Acadia University, Wolfville
- Former President & CEO, Nova Scotia Community College
- Worker's Compensation Board of Nova Scotia, Former Chair
- Natural Sciences and Engineering Research Council of Canada, Council Member
- Nova Scotia Commission on Building our New Economy, Chair

Paul Belliveau
(appointed director February 2013)

- Partner, Belliveau Veinotte Inc., Bridgewater
- Bridgewater Development Association, Former Chair
- Lunenburg County Lifestyle Centre, Former Chair

Dan Christmas
(appointed director June 2010)

- Senior Advisor, Membertou Band Council & Membertou Corporate Division, Membertou
- Nova Scotia Commission on Building our New Economy, Commissioner
- Cape Breton Partnership, Past Chair

Simon d'Entremont
(appointed director January 2012)

- Deputy Minister, Economic and Rural Development and Tourism
- Innovacorp, Board of Directors
- Trade Centre Limited, Board of Directors
- Nova Scotia Tourism Agency, Board of Directors
- Film and Creative Industries of Nova Scotia, Board of Directors
- Waterfront Development Corporation Ltd., Board of Directors

Bert Frizzell
(appointed director September 2011)

- Vice Chairman, The Shaw Group, Halifax
- Acadia University, Board of Governors
- Heritage Gas, Board of Directors
- LED Roadway Lighting, Board of Directors

Cheryl Hodder QC

(appointed director November 2012)

- Partner, McInnes Cooper, Halifax
- Film & Creative Industries Nova Scotia, Chair
- Canadian Institute of Corporate Directors, Maritime Chapter, Chair

Bert Lewis

(appointed director November 2010; term expired September 2013)

- Business Development Manager, Mulgrave Machine Works Ltd., Mulgrave
- Former Principal, Nova Scotia Community College, Strait Area Campus
- Nova Scotia Hearing and Speech Centres, Board of Directors
- Celtic Colours International Festival, Board of Directors
- Strait Area Chamber of Commerce, Former President

Lois Dyer Mann

(appointed director December 2007)

- Partner, Knightsbridge Robertson Surrette
- 2011 Canada Winter Games Host Society
- Halifax Chamber of Commerce, Former Chair
- IWK Health Centre Foundation, Former Trustee

Sean C. Murray

(appointed director June 2007)

- President and CEO, Advocate Printing and Publishing Company Limited, Pictou
- Canadian Printing Industries Scholarship Trust Fund, Trustee
- Juvenile Diabetes Research Foundation Canada, Board of Directors
- Aberdeen Health Foundation, Board of Directors
- Centre for Family Business and Regional Prosperity, Dalhousie University, Advisory Board

Stuart Rath

(appointed director March 2007)

- President and Director, Stuco Holdings Limited, Truro
- Truro Centre Limited, Vice President
- Truro Industrial Society, Past Chair

Ronald E. Smith (Interim CEO)

(appointed director May 2011)

- Former CFO, Maritime Tel & Tel Ltd.
- Former CFO, Emera Inc.
- AuRico Gold Inc., Board of Directors
- Pro Real Estate Investment Trust, Board of Trustees
- Acadia University, Board of Governors
- Canada Pension Plan Investment Board, Former Director

Scott Travers

(appointed June 2009)

- President, DSquared Consulting
- Former President and COO, Minas Basin Pulp and Power Company Limited, Hantsport
- Newton Falls Fine Paper Company, LLC, Former Vice Chairman and President
- Crown Fibre Tube, Director
- Electrical Consumers Association of Nova Scotia, Founding Member
- Seaforth Energy, Board of Directors

COMMITTEES AND OFFICERS

The Audit, Human Resources Governance, and Investment Committees serve to assist the board in carrying out its responsibilities.

Audit Committee
Bert Frizzell, Chair
Dan Christmas
Cheryl Hodder
Paul Belliveau

The Audit Committee oversees NSBI's financial reporting, assesses its internal controls and risk environment, and reviews the report prepared by the corporation's external auditor.

Human Resources Governance Committee
Lois Dyer Mann, Chair
Ray Ivany
Bert Lewis

The Human Resources Governance Committee ensures appropriate human resources management policies are in place, manages the recruitment process for new board members, and develops and oversees NSBI's corporate governance principles.

Investment Committee
Sean Murray, Chair
Stuart Rath
Scott Travers
Janice Stairs
Bert Frizzell

The Investment Committee oversees NSBI's investment framework and policies, monitors the performance of the corporation's investment portfolio, and recommends financial transactions outside its approval limit to the full board for approval.

2013-2014 INVESTMENT AND PROJECT ACTIVITY

ACTIVITY

2013-2014 NOVA SCOTIA BUSINESS FUND TRANSACTIONS

COMPANY	TYPE	LOCATION	AMOUNT
Superport Marine Services	Repayable Loan	Guysborough	1,000,000
Atlantic Crane & Material Handling	Repayable Loan	HRM	400,000
Northsyde Processing Ltd.	Repayable Loan	Cape Breton	500,000
Ad-Dispatch	Repayable Loan	HRM	350,000
Billdidit Inc.	Repayable Loan	Cape Breton	500,000
GeoSpectrum Technologies Inc.	Repayable Loan	HRM	500,000
Scotia Atlantic Biomass	Repayable Loan	HRM	600,000
Azorus	Venture Capital	HRM	200,000
Origin BioMed	Venture Capital	HRM	1,000,000
LED Roadway Lighting	Venture Capital	Cumberland	Amendment
Techlink Entertainment	Venture Capital	Cape Breton	Amendment
2nd Act Innovations	Venture Capital	HRM	1,000,000
Total:			**$ 6,050,000**

2013-2014 STRATEGIC INVESTMENT FUNDS TRANSACTIONS

COMPANY	TYPE	LOCATION	AMOUNT
Conifer Fund Services	Payroll rebate	HRM	1,381,250
Register.com	Payroll rebate	Yarmouth	2,720,000
Marsh	Payroll rebate	HRM	924,000
Butterfield Fulcrum	Payroll rebate	HRM	1,260,000
Analyze Re	Payroll rebate	HRM	792,750
Beyond Trust	Payroll rebate	HRM	2,903,463
CGI	Payroll rebate	HRM	10,836,000
CAE	Payroll rebate	HRM	1,575,000
Advantage Communications	Payroll rebate	Cumberland	829,000
Colour Social	Payroll rebate	HRM	471,480
STI Technologies Inc.	Payroll rebate	HRM	669,320
Total:			**$ 24,362,263**

2013-2014 PROJECT MANAGEMENT TRANSACTIONS

COMPANY	TYPE	LOCATION	AMOUNT
H-Energy	Project management	Guysborough	
BioCycive	Project management	HRM	
Total:			**$30,412,263**

In 2013-2014 fiscal year, NSBI sold 1.6 million shares of DHX Media Ltd. at $5.25 generating proceeds of more than $8.4 million.

WHERE NBSI AND ITS CLIENTS WORKED

2013-2014

Australia
Austria
Bahamas
Barbados
Belgium
Bermuda
Brazil
Canada
Cayman Islands
Chile
China
Colombia
Croatia
Cuba
England
Finland
France
Germany
Ghana
Greece
India
Indonesia
Ireland
Israel
Italy
Jamaica
Kenya
Luxembourg
Malaysia
Morocco
Netherlands
Norway
Panama
Peru
Rwanda
Saudi Arabia
Scotland
Singapore
South Africa
South Korea
Spain
Sweden
Switzerland
Taiwan
Tanzania
Trinidad and Tobago
United Arab Emirates
United States
Uganda

*List captures destination targets of NSBI trade staff, NSBI investment attraction staff, and company clients expanding or entering new markets

MANAGEMENT DISCUSSION AND ANALYSIS

CONTEXT

NSBI is a public agency led by a private sector Board of Directors. NSBI's management has measured and analyzed the agency's activities and performance for the fiscal year 2013-2014. This annual report is NSBI's yearly public accountability statement of the agency's performance against the goals it set through NSBI's approved annual business plan at the beginning of its fiscal year 2013-2014.

NSBI'S MANDATE

The "mandate of the Corporation" is considered to be the "object of the Corporation" as outlined in Section 15 of the NSBI Act, which states:

"The object of the Corporation is to promote economic development in the Province through

(a) business development, retention and expansion;

(b) the establishment of new businesses in the Province; and

(c) trade development and expansion

in accordance with strategic directions established by the Department and the strategic plan of the Corporation."

ECONOMIC CONTEXT IN 2013-2014

Global:

During the 2013-2014 fiscal year, the recovery in global advanced economies continued to pick up momentum and according to the Organization for Economic Co-operation and Development (OECD), they will continue to grow over the next two years. This growth positively influenced trade and investment worldwide.

Canada:

The Canadian economy improved during 2013-2014 with two percent growth. Starting in 2014-2015, the Canadian economy is expected to increase further over the next two years. With stronger US and foreign markets, Canadian exports are set to gain momentum which will continue to support business investment and positively impact the economy.

Nova Scotia:

Historically (1981-2010), the amount that Nova Scotia has exported trended downward. A strengthening US economy is welcome news to Nova Scotia businesses as the US is responsible for approximately 75 percent of Nova Scotia's exports. In addition to the strengthening economy, the Canadian dollar depreciated throughout 2013-2014, which should make Nova Scotia exports more attractive than in previous years.

CORPORATE SCORECARD

NSBI's Corporate Scorecard outlines 12 measures of success that track progress toward meeting the four goals of the agency: to attract and grow sustainable business investment, to enable growth of existing and new business through domestic and international opportunities, to help companies achieve their full potential by providing access to capital, and to enhance value-added growth to existing and new businesses through access to capital. Of the agency's 12 measures of success, NSBI exceeded targets in eight measures.

CORPORATE SCORECARD

SUMMARY

GOAL	INDICATOR	MEASURE OF SUCCESS	2013-2014 TARGET	2013-2014 ACTUAL	PERFORMANCE INDICATOR
Attract and grow leading-edge, sustainable business investment	Client investment in Nova Scotia	# of projects committed by Investment Attraction clients	10	10*	☑
	Economic benefit to Nova Scotia	Average gross salary of new jobs forecasted to be created by Investment Attraction clients [1]	$45,000	$56,014	☑
	Fiscally prudent financing	Forecasted average portfolio return on investments (ROI) utilizing Strategic Investment Funds (SIFs) [2]	40%	36.7%	☒
Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in both domestic and international markets	New exporters in Nova Scotia	# of new clients reporting their first export sale	25	9	☒
	Market penetration and diversification	# of clients introduced to new markets or further advanced in existing markets [3]	325	289	☒
	Increased export sales	Client-reported actual and forecasted export sales [4]	$200,000,000	$533,980,104	☑
Provide access to capital for promising Nova Scotia companies to help them acheive their full potential	Incremental equity investment	# of Venture Capital projects authorized [5]	3	5	☑
	Positive portfolio growth	Year over year portfolio valuation growth [6]	10%	-20.7%	☒
	Positive return on investment to the province	# of new external strategic partnerships into NSBI's portfolio [7]	2	3	☑
Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy	Incremental value investment projects	# of Business Financing projects authorized [8]	10	10	☑
	Increase export sales	Portfolio clients year over year export sales growth	5.0%	7.5%	☑
	Partner for financing solutions	Leverage ratio of partner/client: NSBI	0.5 to 1.0	0.98	☑

NSBI 2013-2014 SCORECARD NOTES

* A total of ten transactions have been identified within the scorecard. Eight transactions are payroll rebates and two are project management transactions.

1. Average gross salary includes salary and benefits and is calculated using a weighted average.

2. ROI is calculated by ("Total forecasted direct tax recoveries " less "Total forecasted payroll rebate payout") divided by "Total forecasted payroll rebate payout".

3. 289 clients were introduced to 484 new markets, or further advanced in existing markets.

4. Client-reported actual and forecasted export sales of $534 million relates to sales generated as a result of participation in various trade programs. Clients reported actual export sales signed at the time of the event of $8.8 million. Clients were contacted again six months following the event and reported $64.8 million incremental sales and forecasted an additional $460 million in sales for the following 18 months.

5. All Venture Capital projects authorized in 2013-2014 were with existing clients.

6. Portfolio growth is an internal calculation that compares the fair market value of Venture Capital investments as at March 31, 2013 to April 1, 2014, adjusting for any cash flows during the period.

7. External Strategic partnership, as stated in the 2013-2014 Business Plan as a "significant external investor to one of NSBI's portfolio companies" include partners who invest significantly into a NSBI portfolio company and partners which create new opportunities such as access to new markets, new technological synergies, or supply chain access which have a significant positive impact on the portfolio company operation.

8. Target of ten established, which includes successful transactions with clients that have a positive net economic benefit to the province. A total of ten transactions were completed which consisted of seven loans and three payroll rebates.

CORPORATE SCORECARD ANALYSIS

NSBI's Corporate Scorecard results show that trade related export sales by Nova Scotia companies and new investment from international companies continue to inject new money into the Nova Scotia economy.

Investment Attraction, which focuses on attracting new investment to the province, charted eight payroll rebate transactions and two project management transactions, which means ten companies have created a presence and/or invested in Nova Scotia. International companies attracted to Nova Scotia continued to demonstrate that they are dependent on Nova Scotia's skilled labour force to support their expansion plans. The weighted average salary of projected jobs among payroll rebate clients during 2013-2014 exceeded NSBI's target by 24 percent. Overall, these clients pay higher than average salaries compared to the average paid in the Nova Scotia (up to 41 percent more than the Nova Scotia average).

During the 2013-2014 fiscal year, Nova Scotia companies did business in 50 countries. The 2013-2014 fiscal year also saw a 28 percent increase over the previous year in the total reported actual and forecasted export sales from $418 million to $534 million. While we have seen an increase in clients accessing new markets and advancing into existing markets, the actual number of new clients reporting their first export sale has decreased.

Business Financing, which finances private businesses in Nova Scotia, evaluates available private sector solutions before entering into agreements using NSBI tools. In 2013-2014, the team received 177 requests from businesses. Of these, ten transactions used NSBI loans or payroll rebates. The other requests were appropriately referred to solutions via traditional banks, private financiers, or other funders.

NSBI's Venture Capital division charted five transactions, providing capital to Nova Scotia companies. The portfolio valuation saw a decrease of 21 percent this past fiscal year. NSBI also had its first successful exit from its portfolio. In 2005, NSBI invested $3 million dollars into DHX Media Ltd. and this year sold 1.6 million shares at $5.25 a share, generating proceeds of more than $8.4 million. This investment more than doubled, resulting in a return of $5.4 million to the Province.

LOOKING AHEAD

The release of both the Nova Scotia Commission on Building Our New Economy (Ivany Commission report) and the Review of Economic Development Assistance Tools: Assessment of Current Practices and Future Potential for Nova Scotia (Traves report), and the government's response, will impact economic development in Nova Scotia. At the time of writing, the full implication of what this means for Nova Scotia Business Inc. is not known. Yet as we look ahead into 2014-15, we must be thinking about the goals of the Ivany Commission report. NSBI, in our role as the business development agency for the province, must work with our partners to find ways to advance these goals and change the status quo.

One place we can start is to capitalize on the benefits of upcoming major projects such as the National Shipbuilding Procurement Strategy and Pieridae Energy's potential LNG export facility. These types of projects offer Nova Scotia companies the opportunity to enter into a global supply chain and gain international skills, knowledge, and expertise. The Atlantic Provinces Economic Council (APEC) has identified 183 major projects totaling $55 billion in Nova Scotia. This is up 36 percent over last year's forecast.

- In 2014, construction on the Maritime Transmission Link (as part of the Lower Churchill Project in Labrador) is scheduled to begin delivering power in 2017.
- Pieridae Energy Canada's Goldboro Liquefied Natural Gas (LNG) project will be an LNG export facility on Nova Scotia's eastern shore. The project is projected to create direct and indirect economic benefits for the local community, province, and region.
- A free trade agreement between Canada and the European Union continues to develop. Economists estimate this agreement would be a significant benefit to Canada, and the Atlantic Provinces in particular, resulting in a $12-billion increase in GDP.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Nova Scotia Business Inc. and meet when required.

On behalf of Nova Scotia Business Inc.

Ron Smith
Interim CEO

Ferdinand Makani, MBA, CMA
Controller

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nova Scotia Business Inc.

We have audited the accompanying financial statements of Nova Scotia Business Inc., which comprise the statement of financial position as at March 31, 2014, and the statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Business Inc. as at March 31, 2014 and the results of its operations, changes in net financial assets and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Accountants, June 25, 2014
Halifax, Canada

Statement of operations and change in accumulated operating surplus

Year ended March 31, 2014 (in thousands of dollars)

	Budget (Unaudited)	2014	2013
	$	$	$
REVENUE			
Provincial			
Operating grant	9,924	9,924	9,994
Strategic investment grant	10,000	8,211	8,744
Loan valuation allowance grant	2,446	2,446	2,017
Miscellaneous	1,061	1,884	966
Interest on loans receivable	2,937	2,235	4,084
Other	1,040	758	975
Federal	715	986	742
Investment income	409	7,544	204
Gain on sale of tangible capital assets	109	298	26
	28,641	34,286	27,752
EXPENSES			
Operating expenses (Schedule 1)	12,345	12,947	11,888
Transfer payments to the Province of Nova Scotia	109	49	27
Strategic investments	10,000	8,211	8,744
Provision for credit losses and payment of guarantees	2,446	8,595	(2,934)
Nova Scotia Business Fund: other expenses (Schedule 2)	3,372	2,751	4,500
	28,272	32,553	22,225
Annual operating surplus	369	1,733	5,527
Accumulated operating surplus, beginning of year	25,329	25,329	19,802
ACCUMULATED OPERATING SURPLUS, END OF YEAR	25,698	27,062	25,329

Statement of remeasurement gains and losses

Year ended March 31, 2014 (in thousands of dollars)

	2014	2013
	$	$
Accumulated remeasurement losses, beginning of year	1,168	(1,540)
Unrealized gains on portfolio investments	(1,168)	2,708
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES), END OF YEAR	–	1,168

The accompanying notes to the financial statements are an integral part of this financial statement.

Statement of changes in net financial assets

Year ended March 31, 2014 (in thousands of dollars)

	Budget (Unaudited)	2014	2013
	$	$	$
Annual operating surplus	**369**	**1,733**	5,527
Change in tangible capital assets			
Acquisitions of tangible capital assets	–	**(15)**	–
Amortization of tangible capital assets	**63**	**62**	67
Gain on sale of tangible capital assets	(109)	(298)	(26)
Proceeds on sale of tangible capital assets	–	**313**	26
Net change in tangible capital assets	**323**	**1,795**	5,594
Change in other non-financial assets			
Acquisitions of prepaid assets	–	**(3)**	(54)
Use of prepaid assets	–	**54**	27
Net change in other non-financial assets	–	**51**	(27)
Increase in non-financial assets	**323**	**1,846**	5,567
Remeasurement (decrease) increase arising during the year	–	**(1,168)**	2,708
Increase in net financial assets	**323**	**678**	8,275
Net financial assets, beginning of year	**25,179**	**25,179**	16,904
NET FINANCIAL ASSETS, END OF YEAR	**25,502**	**25,857**	25,179

The accompanying notes to the financial statements are an integral part of this financial statement.

Statement of financial position

As at March 31, 2014 (in thousands of dollars)

	2014	2013
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	**19,842**	13,363
Accrued interest receivable	**1,949**	1,341
Loan valuation allowance receivable (Note 1(j))	**9,868**	11,454
Other receivables	**1,160**	1,075
Due from the Province of Nova Scotia	**6,746**	5,626
Loans receivable (Note 2 and 6)	**40,136**	36,605
Equity investments (Note 3 and 6)	**29,477**	38,342
	109,178	107,806
LIABILITIES		
Accounts payable and accrued liabilities	**8,326**	8,294
Deferred revenue	**306**	731
Accrued interest payable	**724**	516
Employee benefits and other liabilities (Note 15)	**1,519**	1,432
Provision for payment of guarantees (Note 6)	**–**	300
Long-term debt due to the Province of Nova Scotia (Note 7 and Note 1(j))	72,397	71,328
Transfer payments payable to the Province of Nova Scotia	**49**	26
	83,321	82,627
Net financial assets	**25,857**	25,179
NON-FINANCIAL ASSETS		
Tangible capital assets - industrial parks and buildings (Note 4)	**1,202**	1,264
Prepaid expenses	**3**	54
	1,205	1,318
ACCUMULATED SURPLUS	**27,062**	26,497
Accumulated surplus is comprised of		
Accumulated operating surplus	**27,062**	25,329
Accumulated remeasurement gains/(losses)	**–**	1,168
	27,062	26,497

Contractual obligations (Note 9)

Contingencies (Note 10)

On behalf of the Board:

Director

Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Statement of cash flows

Year ended March 31, 2014 (in thousands of dollars)

	2014	2013
OPERATING TRANSACTIONS	**$**	$
Annual operating surplus	**1,733**	5,527
Items not affecting cash and cash equivalents		
Amortization	**62**	67
Redemption of loan valuation allowance receivable	**(4,032)**	–
Allowance for credit losses and provision for payment of guarantees	**8,595**	(2,934)
Capitalized interest on loans payable	**854**	747
Capitalized interest & dividends on loans and equity	**(1,495)**	–
Gain on sale of tangible capital assets	**(298)**	(26)
Revaluation gain on tangible capital assets	**(59)**	–
Gain on sale of equity investments	**(5,514)**	–
Contributed tangible capital assets revenue	**(15)**	–
	(169)	3,381
Change in other (Note 13(b))	**(142)**	(4,870)
	(311)	(1,489)
Capital transaction		
Additions	**74**	–
Contributions	**(15)**	–
Proceeds from sale of tangible capital assets	**313**	26
	372	26
Investing transactions		
Loan advances	**(8,035)**	(15,567)
Principal received on loans	**4,701**	60,380
Redemption of equity investments	**8,514**	–
Acquisition of equity investments	**(2,900)**	(2,449)
	2,280	42,364
Financing transactions		
New notes payable from the Province of Nova Scotia	**10,704**	17,754
Principal repayments to the Province of Nova Scotia	**(6,566)**	(61,627)
	4,138	(43,873)
Increase (decrease) in cash and cash equivalents	**6,479**	(2,972)
Cash and cash equivalents, beginning of year	**13,363**	16,335
CASH AND CASH EQUIVALENTS, END OF YEAR	**19,842**	13,363

The accompanying notes to the financial statements are an integral part of this financial statement.

Notes to the financial statements

March 31, 2014 (in thousands of dollars)

Nova Scotia Business Inc. (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the acts of Nova Scotia, 2000. The Corporation's mission is to drive, through business development, a strong, prosperous and globally competitive Nova Scotia. The Corporation is not subject to provincial or federal taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting:

The financial statements of the Corporation have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as established by the Public Sector Accounting Board ("PSAB").

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

Cash includes petty cash and amounts on deposit with financial institutions. Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition. All are measured at fair market value.

(c) Loans receivable:

Loans receivable are recognized at amortized cost using the effective interest rate method. Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest. A specific valuation allowance is established to reduce the recorded value of the impaired loan to its estimated net recoverable value.

A general allowance of 5% of cost is recorded to reflect anticipated future losses for all loans receivable which do not have a specific allowance.

Initial and subsequent changes in the amount of valuation allowance are recorded as a charge or credit to the statement of operations.

Loans receivable are written off after all reasonable restructuring and collection activities have taken place, and management believes that there is no realistic prospect of recovery. Once all or a part of a loan receivable has been written off, the write-off is not reversed, unless the loan receivable is recovered, in which case the recovery is credited to the statement of operations upon receipt.

(d) Equity investments:

Equity investments in publicly traded companies are recorded at fair value using quoted prices in an active market with unrealized gains and losses being recognized in the statement of remeasurement gains and losses.

Investments in equity instruments of private enterprises are carried at cost with realized gains and losses recognized in the statement of operations in the period they are derecognized.

Investments in equity instruments of private enterprises are classified as impaired when, in the opinion of management, there has been a loss in the value of the equity instruments that is other than a temporary decline. A specific valuation allowance is established to reduce the recorded value of the impaired investments to their estimated net recoverable value.

A general allowance of 10% of cost is recorded to reflect anticipated future losses for all investments in private enterprises receivable which do not have a specific allowance.

The investments are reviewed twice yearly for potential declines in value.

A write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets – industrial parks and buildings:

Tangible capital assets are recorded at cost which includes amounts that are

directly attributable to acquisition, construction, development or betterment of assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

ASSET	BASIS	RATE
Buildings	Declining balance	5%
Wharves	Declining balance	5%
Utilities	Declining balance	4 - 15%

Assets not in use are not amortized until the asset is available for productive use.

The Department of Transportation and Infrastructure Renewal has operational responsibility for the industrial parks and buildings. Certain revenues and expenses associated with the operation of the industrial parks and buildings are accounted for by the Department of Transportation and Infrastructure Renewal and are not reflected in these financial statements.

Proceeds from the sale of assets less closing costs are remitted to the Province of Nova Scotia in the form of transfer payments. In current year, the transfer payments payable to the Province of Nova Scotia was $49 (2013 - $26).

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded into revenues at their fair value at the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

(f) Other assets:

Other assets consist of property acquired through foreclosure. Other assets are recorded at cost less a general allowance for the credit losses equal to 5% of cost. A specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(g) Due to the Province of Nova Scotia:

Amounts due to the Province of Nova Scotia which are comprised of long-term-debt are recorded at amortized cost.

(h) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. The transfer payments recorded by the Corporation are flow-through arrangements of proceeds from the sale of crown assets which the Corporation administers and are remitted to the Province of Nova Scotia. In accordance with PS 3410, Government transfers do not include flow-through arrangements where a government agrees to act merely as an intermediary to administer funds on behalf of another party and has no ability to make decisions regarding the use of the funds.

Similarly, when funds are received as a result of an administrative flow-through arrangement in which a recipient government serves only as a cash conduit (i.e., it has no direct financial involvement in the program or decision-making capability in relation to the program) the receipt and disbursement of cash would not be recognized as transfers in that recipient government's financial statements.

(i) Revenue recognition:

(i) Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

Government contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met. Stipulations associated with the acquisition of tangible capital assets are considered to be met as the assets are used for their intended purpose.

(a) Operating grants have no criteria or stipulations and the Corporation recognizes revenue on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

b) Strategic investment grants are recognized when expenditure is recorded in accordance with the Corporation's approved budget and shall be provided in accordance with policies and procedures set out in the Corporation's business plan.

(c) Loan valuation grant is provided by the Province of Nova Scotia to offset the provision for credit losses and payment of guarantees.

(d) Miscellaneous consists of various contracts for trade programs. Revenue is recognized in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

(ii) Interest revenue on the loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired

when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

(j) Allowance for credit losses and payment of guarantees:

The allowance for credit losses is partially offset by a non-cash loan valuation allowance contribution from the Province of Nova Scotia. The contribution is recorded as both a receivable and revenue.

(k) Employee future benefits:

(i) The Corporation provides certain employee benefits which will require funding in future periods. These benefits include vacation pay and public service awards. Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis; actuarial assessment are carried out after every three years; the next one is due in 2017 fiscal year.

(ii) Permanent employees of the Corporation participate in the Public Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. The costs of the employer pension benefits are the Corporation's contributions due to the Plan in the period. The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan.

(l) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates included in the financial statements relate to the valuation of the loans receivable and equity investments. Actual results could differ materially from these estimates.

(m) Future accounting pronouncements:

Liabilities for contaminated sites: PSAS 3260 establishes on how to account for and report a liability associated with the remediation of contaminated sites.

(n) Impairment of long-lived assets:

Tangible capital assets are written down when conditions indicate that they no longer contribute to NSBI's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

2. LOANS RECEIVABLE

	2014	2013
	$	$
Principal due	**62,227**	59,685
Allowance for credit losses (Note 6)	**(22,091)**	(23,080)
	40,136	36,605

Interest charged on these loans ranges from 0% to 9%. Repayment terms are negotiated on specific loans and would normally not exceed 20 years. The level of security on loans is also negotiated between the Corporation and the debtor based on the risk associated with the individual loan. The security can include life insurance, company assets, personal guarantees or the value of the parent company. Security can range from unsecured position to a fully secured position.

3. EQUITY INVESTMENTS

	2014	2013
	$	$
Common shares	19,326	14,998
Preferred shares	22,913	27,914
Convertible debentures	7,850	6,950
	50,089	49,862
Allowance for credit losses (Note 6)	(20,612)	(11,520)
	29,477	38,342

Certain preferred shares have conversion options and warrants attached.

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
	$	$	$	$
Land	107	–	107	107
Buildings	873	643	230	243
Wharves	1,752	1,160	592	623
Utilities	458	185	273	291
	3,190	1,988	1,202	1,264

5. OTHER ASSETS

	2014	2013
	$	$
Property acquired through foreclosure, at cost	750	820
Less: allowance for credit losses (Note 6)	(750)	(820)
	–	–

6. ALLOWANCE FOR CREDIT LOSSES AND PAYMENT OF GUARANTEES

2014	Gross Balance Outstanding	Specific Allowance	General Allowance	Total Allowance	Net Balance Outstanding
	$	$	$	$	$
Loans receivable (Note 2)	**62,227**	**20,202**	**1,889**	**22,091**	**40,136**
Equity investments (Note 3)	**50,089**	**18,828**	**1,784**	**20,612**	**29,477**
Guarantees (Note 10)	**–**	**–**	**–**	**–**	**–**
Other assets (Note 5)	**750**	**750**	**–**	**750**	**–**
	113,066	**39,780**	**3,673**	**43,453**	**69,613**

2013	Gross Balance Outstanding	Specific Allowance	General Allowance	Total Allowance	Net Balance Outstanding
	$	$	$	$	$
Loans receivable (Note 2)	59,685	21,345	1,735	23,080	36,605
Equity investments (Note 3)	49,862	8,287	3,233	11,520	38,342
Guarantees (Note 10)	300	–	300	300	–
Other assets (Note 5)	820	820	–	820	–
	110,667	30,452	5,268	35,720	74,947

During the year, investments and other assets in the amount of $863 (2013 - $14,385) were written off and included in the allowance for credit losses and provision for payment of guarantees.

7. LONG-TERM DEBT DUE TO PROVINCE OF NOVA SCOTIA

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

			2014	2013
	Fiscal Year of Maturity	Applicable Interest rate	Principal Outstanding	Principal Outstanding
		%	$	$
Note payable 2002-01 (Note 1(j))	–	–	**1,334**	1,938
Note payable 2004-01	**2017**	**4.61**	**224**	419
Note payable 2004-02	**2015**	**4.18**	**–**	1,900
Note payable 2005-02	**2014**	**3.8**	**–**	21
Note payable 2006-01	**2027**	**5.09**	**1,141**	1,213
Note payable 2006-02	**2027**	**4.98**	**1,467**	1,555
Note payable 2006-03	**2027**	**4.86**	**2,380**	2,522
Note payable 2006-04	**2027**	**4.94**	**1,643**	1,741
Note payable 2007-01	**2027**	**5.11**	**741**	785

(continued)

7. LONG-TERM DEBT DUE TO PROVINCE OF NOVA SCOTIA (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	Fiscal Year of Maturity	Applicable Interest rate	2014 Principal Outstanding	2013 Principal Outstanding
		%	$	$
Note payable 2007-02	2027	4.89	750	795
Note payable 2007-03	2027	4.97	320	339
Note payable 2007-04	2027	5.01	61	65
Note payable 2007-05	2027	5.38	1,068	1,132
Note payable 2007-06	2027	5.58	111	118
Note payable 2008-01	2017	4.02	454	551
Note payable 2008-02 to 2008-13	2014-2016	1.04-5.15	1,390	1,950
Note payable 2009-01 & 2009-06	2012	1.6	–	176
Note payable 2009-02	2027	3.16	687	728
Note payable 2009-03 & 2009-05	2014	2.2	–	1,075
Note payable 2009-04	2013	2.11	–	100
Note payable 2009-07	2014	2.52	–	78
Note payable 2009-08	2015	4.09	700	788
Note payable 2009-09	2013	1.75	57	87
Note payable 2009-10	2015	3.18	6,796	6,586
Note payable 2009-11	2015	3.18	833	807
Note payable 2009-12	2015	3.18	1,144	1,109
Note payable 2009-13	2015	3.17	314	305
Note payable 2009-14	2015	2.92	233	263
Note payable 2009-15	2015	3.16	171	165
Note payable 2009-16	2015	3.15	1,296	1,257
Note payable 2009-17	2015	3.35	228	221
Note payable 2009-18	2012	2.8	–	40
Note payable 2010-01	2014	1.94	–	135
Note payable 2010-02	2016	3.67	288	278
Note payable 2010-03	2016	2.39	–	83
Note payable 2010-04	2016	3.63	345	333
Note payable 2010-05	2014	3.17	58	83
Note payable 2010-06	2016	3.45	228	220
Note payable 2010-07	2016	3.45	570	551
Note payable 2010-08	2013	2.05	–	13
Note payable 2010-09	2016	3.16	71	68
Note payable 2010-10	2016	3.17	95	92
Note payable 2010-11	2015	2.28	–	18
Note payable 2010-12	2015	2.35	–	304
Note payable 2010-13	2016	2.94	30	29
Note payable 2010-14	2013	1.77	–	68

(continued)

7. LONG-TERM DEBT DUE TO PROVINCE OF NOVA SCOTIA (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	Fiscal Year of Maturity	Applicable Interest rate	2014 Principal Outstanding	2013 Principal Outstanding
		%	$	$
Note payable 2010-15	2016	2.57	601	586
Note payable 2010-16	2014	2.05	1,074	1,052
Note payable 2010-17	2014	2.21	524	697
Note payable 2010-18	2013	1.91	–	31
Note payable 2010-19	2016	2.57	1,615	1,575
Note payable 2010-20	2016	2.17	31	44
Note payable 2010-21	2016	2.57	374	443
Note payable 2010-22	2014	2.56	543	530
Note payable 2010-23	2014	2.09	1,032	1,214
Note payable 2010-24	2021	3.35	–	–
Note payable 2010-25	2014	2.6	541	529
Note payable 2010-26	2014	2.44	103	133
Note payable 2010-27	2016	2.94	556	540
Note payable 2010-28	2012	1.69	71	133
Note payable 2010-29	2016	2.7	–	90
Note payable 2010-30	2016	3.28	553	535
Note payable 2010-31	2013	0.02	–	6
Note payable 2010-32	2013	1.88	374	550
Note payable 2010-33	2014	2.15	388	500
Note payable 2011-01	2014	2.04	262	305
Note payable 2011-02	2013	2.15	48	59
Note payable 2011-03	2016	2.78	–	46
Note payable 2011-04	2014	1.7	26	34
Note payable 2011-05	2017	2.82	4,320	4,202
Note payable 2011-06	2017	2.65	2,128	2,073
Note payable 2011-07	2014	1.58	1,577	1,538
Note payable 2011-08	2016	1.75	141	187
Note payable 2011-09	2017	2.43	904	883
Note payable 2011-10	2015	1.46	711	865
Note payable 2011-11	2013	1.19	–	22
Note payable 2011-12	2017	1.53	33	41
Note payable 2011-13	2013	1.28	203	250
Note payable 2011-14	2014	1.38	133	163
Note payable 2011-15	2013	1.24	86	103
Note payable 2011-16	2014	1.71	259	254
Note payable 2011-17	2017	2.14	276	293
Note payable 2012-01	2017	1.72	356	427

(continued)

7. LONG-TERM DEBT DUE TO PROVINCE OF NOVA SCOTIA (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	Fiscal Year of Maturity	Applicable Interest rate	2014 Principal Outstanding	2013 Principal Outstanding
		%	$	$
Note payable 2012-02	2014	1.24	32	38
Note payable 2012-03	2018	2.14	415	407
Note payable 2012-04	2015	1.63	257	253
Note payable 2012-05	2016	1.54	1,556	1,577
Note payable 2012-06	2014	1.34	–	2,000
Note payable 2012-07	2016	1.82	1,219	1,236
Note payable 2012-08	2016	1.72	1,515	1,535
Note payable 2012-09	2016	1.56	1,275	1,292
Note payable 2012-10	2016	1.6	876	887
Note payable 2012-11	2016	1.68	1,026	1,039
Note payable 2012-12	2017	1.62	254	300
Note payable 2012-13	2016	1.67	909	750
Note payable 2012-14	2016	1.67	740	921
Note payable 2012-15	2014	1.29	–	502
Note payable 2012-16	2016	1.78	358	352
Note payable 2012-17	2016	1.75	1,066	1,080
Note payable 2012-18	2018	2.27	1,027	1,004
Note payable 2012-19	2018	2.38	514	501
Note payable 2012-20	2018	2.31	205	202
Note payable 2012-21	2016	1.54	1,396	1,415
Note payable 2013-01	2016	1.61	899	–
Note payable 2013-02	2018	1.59	137	–
Note payable 2013-03	2015	1.53	103	–
Note payable 2013-04	2019	1.9	829	–
Note payable 2013-05	2019	0.9	146	–
Note payable 2013-06	2018	2.97	1,017	–
Note payable 2013-07	2016	2.09	488	–
Note payable 2013-08	2018	2.85	204	–
Note payable 2013-09	2017	1.86	203	–
Note payable 2013-10	2018	2.32	254	–
Note payable 2013-11	2018	1.51	324	–
Note payable 2013-12	2018	1.53	489	–
Note payable 2013-13	2016	1.45	878	–
Note payable 2013-14	2018	1.55	350	–
Note payable 2013-15	2016	1.38	239	–
Note payable 2013-16	2015	1.21	1,004	–
Note payable 2013-17	2016	1.91	1,083	–

(continued)

7. LONG-TERM DEBT DUE TO PROVINCE OF NOVA SCOTIA (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	Fiscal Year of Maturity	Applicable Interest rate	2014 Principal Outstanding	2013 Principal Outstanding
		%	$	$
Note payable 2013-18	2022	1.99	218	–
Note payable 2013-19	2019	1.89	500	–
Note payable 2013-20	2018	2.08	251	–
Note payable 2013-21	2015	1.4	69	–
Note payable 2013-22	2019	2.97	1,001	–
			72,397	71,328

Note payable 2002-01 in the amount of $1,334 (2013 - $1,938) has no set terms of repayments with the Province of Nova Scotia. The principal for this is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly instalments of principal and interest based on maturity dates and rates set as above.

(b) Principal repayments on the notes, excluding note 2002-01, are as follows:

	$
2015	21,207
2016	20,801
2017	12,423
2018	7,586
2019	2,620
Thereafter	6,426
	71,063

Future scheduled interest capitalization amounts $1,745 (2013 - $1,895) on certain existing notes payable are excluded in the above repayment amounts.

The total interest paid or became payable during the year and recorded in the statement of operations was $2,184 (2013 - $3,852).

8. SHARE CAPITAL

The Corporation is authorized to issue 100 Class A common shares with a par value of $1 each. At year-end, 100 common shares have been issued to the Province.

9. CONTRACTUAL OBLIGATIONS

(a) The Corporation has approved financing of $3,098 (2013 - $9,560) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province on Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant.

As at March 31, 2014, transactions were approved with maximum annual payments over the next six years of $77.7 million (2013 - $92.2 million) as shown below:

2015	18,785
2016	18,177
2017	17,456
2018	13,395
2019	6,754
2020	3,105
Total	77,672

10. CONTINGENCIES

(a) Guarantees:

	Authorized	Utilized 2014	Utilized 2013
	$	$	$
Bank loans	–	–	300
Less: provision for payment (Note 6)	–	–	(300)
	–	–	–

The guarantees were secured by various assets and proceeds from liquidation were expected to offset any possible payments under guarantees.

(b) Litigation

The Corporation is co-defendant with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. NSBI assumes that any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

The Corporation is unable to form an opinion in regard to the likelihood of loss arising from the above litigation. Consequently, no provision for any possible loss has been recorded in these financial statements.

In addition, there are other outstanding claims against the Corporation for events that have arisen in the normal course of carrying on the operations of the Corporation. It is not possible at this time to determine the amount that may be assessed, or the impact to the Corporation's financial statements, with respect to these claims.

11. FINANCIAL INSTRUMENTS

(a) Fair value

Equity investments in publicly traded companies in the amount of $nil (2013 - $4,168) are recorded at fair market value, which represents the last bid price for the stock on the stock exchange. The Corporation sold all its publicly traded equity investments in current year.

Fair value measurements in connection with the allowance for credit losses recognized in Notes 2 and 3 are categorized using the fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1 - unadjusted quoted prices in the active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

Cash and cash equivalents and the portfolio investments in equity investments traded in active markets have been recorded as Level 1 using the fair value hierarchy.

(b) Associated risks

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Corporation's Nova Scotia Business Fund assets are primarily exposed to credit, interest rate market price and liquidity risk.

(i) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Corporation. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial history and projections, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Applications with unacceptable levels of risk are not approved.

Clients are usually limited to a total of $15 million in financing from the Corporation's Nova Scotia Business Fund. Three clients have exceeded this total in the past; two were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia

Business Fund via legislation on November 6, 2001 and both were paid out in a previous year.

A third client, that was authorized financing of $15,100 approved in fiscal 2011, currently has an outstanding balance of $14,342 which is now below the $15,000 financing limit threshold (2013-$11,316) and has now been fully disbursed.

The risk rating for all clients is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

(ii) Interest risk:

Interest rate risk is the risk that the market value of the Corporation's investments and debt will fluctuate due to changes in the market interest rates. Interest rate risk is mitigated due to the fact that the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments.

(iii) Market price risk:

Market price risk is the risk that the value of an investment will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting similar financial instruments traded in the market. During the current year, the Corporation redeemed all investments held in publicly traded equities (2013 - $4,168). As these equities are carried at fair value with the fair value changes recognized in the statement of remeasurement gains and losses, all changes in the market conditions will directly result in an increase (decrease) of accumulated remeasurement gains (losses).

(iv) Liquidity risk:

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of provincial grants, income generated from loans receivable and equity investments, and principal repayments received on loans receivable. These sources of funds are used to pay operating expenses and debt servicing payments to the Province of Nova Scotia. In the normal course of business the Corporation enters into contracts that give rise to commitments for future payments which also impact the Corporation's liquidity. The Corporation also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

The following table summarizes the fixed contractual maturities for all financial liabilities as at March 31, 2014:

					2014	2013
	Within 1 year	**2 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**8,326**	–	–	–	**8,326**	8,294
Accrued interest payable	**724**	–	–	–	**724**	516
Employee benefits and other liabilities	**690**	**240**	**213**	**376**	**1,519**	1,432
Transfer payments payable to the Province	**49**	–	–	–	**49**	26
Deferred revenue	**242**	**64**	–	–	**306**	731
Provision for payment of guarantees	–	–	–	–	–	300
Long-term debt due to the Province	**21,207**	**43,430**	**6,426**	–	**71,063**	69,390
	31,238	**43,734**	**6,639**	**376**	**81,987**	80,689

12. NOVA SCOTIA BUSINESS FUND

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated ("NSBI") and investments transferred from the Nova Scotia Business Development Corporation Fund ("NSBDC") on November 6, 2001. The following is a summary of the Fund as at March 31, 2014:

					2014	2013
	NSBI Portfolio		NSBDC Portfolio			
March 31, 2014	**Gross**	**Less allowance for credit losses**	**Gross**	**Less allowance for credit losses**	**Net Total**	Net Total
	$	$	$	$	$	$
Assets:						
Loans receivable	**39,904**	**7,962**	**22,323**	**14,129**	**40,136**	36,605
Equity investments	**49,618**	**20,141**	**470**	**470**	**29,477**	38,342
Industrial parks & buildings	**–**	**–**	**1,202**	**–**	**1,202**	1,264
Other assets	**–**	**–**	**750**	**750**	**–**	–
Guarantees	**–**	**–**	**–**	**–**	**–**	–
Financing authorized but unadvanced	**3,098**	**–**	**–**	**–**	**3,098**	9,560
	92,620	**28,103**	**24,745**	**15,349**	**73,913**	85,771
Funding authorized and committed						
Fund balance authorized, net of write-offs					**224,677**	225,540
Less: uncommitted balance of fund					**107,310**	104,049
Committed fund balance					**117,367**	121,491
Less: allowance for credit losses						
and provision for payment of guarantees (Note 6)					**43,454**	35,720
					73,913	85,771

13. SUPPLEMENTARY CASH INFORMATION

a) Cash and cash equivalents include:

	2014	2013
	$	$
Cash	**11,042**	12,963
Short-term investments	**8,800**	400
	19,842	13,363

b) Changes in other:

	2014	2013
Accrued interest receivable	**(608)**	(185)
Loan valuation allowance receivable	**1,586**	(2,017)
Other receivables	**(85)**	(427)
Due from the Province of Nova Scotia	**(1,120)**	1,085
Prepaid expenses	**51**	(27)
Accounts payable and accrued liabilities	**32**	(1,038)
Accrued interest payable	**208**	(1,056)
Non-cash accrued interest clearing loan valuation allowance	**109**	–
Employee benefits and other liabilities	**87**	38
Deferred revenue	**(425)**	160
Transfer payments payable to the Province of Nova Scotia	**23**	(1,403)
	(142)	(4,870)

c) During the year, cash received for interest income was $2,099 (2013 - $4,093) and interest paid was $1,012 (2013 - $4,162).

Non-cash investing transactions	2014	2013
	$	$
Equity market adjustments recorded as accumulated remeasurement (loss) gain	**(1,168)**	2,708
Conversion of convertible debentures to equity investments	**1,000**	–
Conversion of accrued interest to equity investments	**144**	–
Conversion of preferred dividends to equity investments	**1,351**	–

14. RELATED PARTY TRANSACTIONS

During the year, no payroll rebates were awarded to companies which were controlled by, or otherwise not independent of all directors of Nova Scotia Business Inc. (2013 - $32)

As at year-end, the total amount outstanding including current year balances to companies that were controlled by, or otherwise not independent of, certain directors of Nova Scotia Business Inc. was $18,123 (2013 - $23,409) for financial assistance. Certain of these investments have specific allowances recorded against them totaling ($4,330) but all had only the 5% and 10% general reserve recorded against them in the prior year. Furthermore, payroll rebates were in the amount of $336 (2013 - $498).

The Corporation occupies premises for which no rental fee is charged by the Province of Nova Scotia. Management estimates the annual cost to lease the premises is approximately $686 (2013 - $680).

The Corporation receives legal services free of charge from the Province of Nova Scotia. Management estimates the annual cost of these services is approximately $300 (2013 - $286).

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

15. EMPLOYEE BENEFITS, POST-RETIREMENT BENEFITS AND OTHER LIABILITIES

a) The employee benefits, post-retirement benefits and other liabilities, reported on the statement of financial position, are made up of the following:

	2014	2013
	$	$
Public service awards	**676**	585
Vacation pay	**213**	218
Other payroll accruals	**630**	629
	1,519	1,432

b) Pension benefits:

All full-time employees are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act ("PSSP") based on the employees' length of service and earnings. The plan is funded by the employee and the employer contributions. The employer's contributions for 2014 were $514 (2013 - $501) and are recognized as an operating expense in the year. As a result of changes to the PSSP Act that took effect April 1, 2013, the Province of Nova Scotia is no longer responsible for any unfunded liabilities of the PSSP, and the Province no longer administers the PSSP. The PSSP is now administered by an independent trustee, the Public Service Superannuation Plan Trustee Inc., which also administers the actuarial and investment risk.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

Schedule of operating expenses

Schedule 1

Year ended March 31, 2014 (in thousands of dollars)

	Budget (Unaudited)	2014	2013
	$	$	$
Business development	3,079	4,373	3,416
Legal and audit	28	47	73
Office	420	451	469
Other	29	154	61
Salaries and benefits	7,494	6,882	6,751
Telecommunications and technical support	336	375	381
Travel	959	665	737
	12,345	12,947	11,888

Schedule of Nova Scotia business fund expenses

Schedule 2

Year ended March 31, 2014 (in thousands of dollars)

	Budget (Unaudited)	2014	2013
	$	$	$
Amortization	63	62	67
Recovery of commissions and other fees	8	(197)	282
Interest	2,350	2,184	3,852
Legal	16	27	–
Repairs, maintenance, salaries and other expenses	935	675	299
	3,372	2,751	4,500

The accompanying notes to the financial statements are an integral part of this financial statement.

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